



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 25, 2007

### **H.J. Res. 44**

### **Approving the renewal of import restrictions contained in the Burmese Freedom and Democracy Act of 2003**

*As cleared by the Congress on July 24, 2007*

#### **SUMMARY**

H.J. Res. 44 renews for one year the ban of all imports from Burma. It also increases the amount of corporate estimated tax payments due in 2012 and extends merchandise processing fees.

The Congressional Budget Office (CBO) and the Joint Committee on Taxation (JCT) estimate that enacting the legislation will reduce federal revenues by less than \$500,000 in 2007, increase them by \$153 million over the 2008-2012 period, and decrease them by \$2 million over the 2008-2017 period. Additionally, CBO estimates that H.J. Res. 44 will increase offsetting receipts (which are a credit against direct spending) by \$53 million in 2015.

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of H.J. Res. 44 is shown in the following table. Spending under this legislation falls within budget function 750 (administration of justice).

By Fiscal Year, in Millions of Dollars													
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2008- 2012	2008- 2017
<b>CHANGES IN REVENUES</b>													
Burmese Import Ban	*	-2	0	0	0	0	0	0	0	0	0	-2	-2
Payment of Corporate Estimated Tax	0	0	<u>0</u>	<u>0</u>	<u>0</u>	<u>155</u>	<u>-155</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>155</u>	<u>0</u>
Total Changes in Revenues	*	-2	0	0	0	155	-155	0	0	0	0	153	-2
<b>CHANGES IN DIRECT SPENDING</b>													
Merchandise Processing Fees													
Estimated Budget Authority	0	0	0	0	0	0	0	0	-53	0	0	0	-53
Estimated Outlays	0	0	0	0	0	0	0	0	-53	0	0	0	-53

Note: \* = loss of less than \$500,000.

Sources: Congressional Budget Office and Joint Committee on Taxation.

## BASIS OF ESTIMATE

### Revenues

**Burmese Import Ban.** The ban was originally enacted as the Burmese Freedom and Democracy Act of 2003 (Public Law 108-61) and was set to expire on July 28, 2004. Public Law 108-272 renewed the ban for one year through July 28, 2005; Public Law 109-39 renewed the ban for one year through July 28, 2006; and Public Law 109-251 renewed the ban for one additional year through its current expiration date of July 28, 2007. The original legislation limited renewals of the ban to a total of three years. Public Law 109-251 increased that limit to six years, thereby allowing three additional one-year bans.

The President may lift the import restrictions if the State Peace and Development Council, the military regime of Burma, has made substantial and measurable progress to end violations of human rights, implemented a democratic government, and met its obligations under international counter-narcotics agreements. The President also will have the authority to terminate the restrictions upon the request of a democratically elected government in Burma or waive them in the national interest. For this estimate, CBO assumes that the President will not exercise this authority before the termination of the one-year ban.

In years immediately before the import ban took effect, over half of all U.S. imports from Burma were knitted or crocheted clothing and apparel goods. The remaining imports include apparel items not knitted or crocheted, certain types of fish and crustaceans, goods made of wood, certain precious and semiprecious stones and metals, and woven fabrics and tapestries. In 2001 and 2002, roughly 80 percent of duties collected on these imports came from knitted and crocheted articles. CBO assumes that most of the banned imports will be replaced with imports from other countries.

Based on data from the U.S. International Trade Commission on past U.S. imports from Burma, information from several government agencies, and CBO's most recent forecast of total U.S. imports, CBO estimates that this provision will reduce federal revenues by less than \$500,000 in 2007 and by about \$2 million in 2008, net of income and payroll tax offsets.

Should the President lift the ban, U.S. companies would be allowed to resume importation of goods produced, manufactured, grown, or assembled in Burma. It is unclear whether or when the President would exercise the authority to lift or waive the ban on imports from Burma. If such an action were taken during the 2007-2008 period, the impact on federal revenues would be reduced accordingly.

**Corporate Estimated Tax.** This provision shifts revenues between 2012 and 2013. For corporations with at least \$1 billion in assets in 2012, the act increases the portion of corporate estimated tax payments due in July through September of that year. JCT estimates that this change will increase revenues by \$155 million in 2012 and decrease revenues by \$155 million in 2013.

### **Direct Spending**

Prior to enactment of H.J. Res. 44, customs user fees would have expired after October 14, 2014. H.J. Res. 44 extends the merchandise processing fees through October 21, 2014. CBO estimates that this provision will increase offsetting receipts by \$53 million in fiscal year 2015.

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